

## dugan production corp.



November 30, 2000

Ms. Lori Wrotenbery New Mexico Oil Conservation Division 2040 South Pacheco Santa Fe. NM 87505

Re:

Proposed Surface Commingling

Dugan Production Corp.'s Paul Revere No. 90 (API No. 30-045-29842) 15-26N-13 W Dugan Production Corp.'s Paul Revere No. 92 (API No. 30-045-28290) L-15-26N-13 Dugan Production Corp.'s Paul Revere No. 93 (API No. 30-045-28341) 6-22-26N-13

Sections 15 & 22, T-26N, R-13W

Federal Lease NM-17781 Basin Fruitland Coal gas pool San Juan County, NM

Dear Ms. Wrotenbery,

We are writing to request your administrative approval to surface commingle natural gas produced from the captioned wells which will allow us to deliver natural gas to an on-lease central delivery sales meter (CDP). Since only one federal lease is involved and the CDP sales meter is located on the lease, the BLM does not consider this proposal to be an issue that requires their approval. We will send informational copies to them.

Attachment No. 1 was reproduced from the Moncisco Wash USGS Quadrangle Topography map and presents the proposed Paul Revere 90 CDP along with the subject lease and wells. Dugan's Federal Lease No. NM-17781 is the only lease involved and comprises the spacing units for the all three wells. The proposed CDP gas sales meter will be on El Paso's pipeline at a location of ±2300' FWL & ±850' FSL of Section 15 (T-26N, R-13W) which is located on this lease.

Attachment No. 2 presents information for each of the wells proposed for this CDP and Attachment No. 3 presents C-102's for each well which also includes the dedicated spacing units. Dugan Production Corp. is the operator of all three wells and holds 100% of the working interest. The royalty and overriding royalty interest is common for all wells and Attachment No. 4 presents individual well ownership information.

The Paul Revere No. 90 was spudded on 8-28-00 and completed in the Basin Fruitland Coal on 9-14-00 from perforations 1209' to 1228' with an initial pumping potential of 40 mcfd plus 75 BWPD. This well is currently shut in and upon connection for gas sales, we anticipate production will exhibit performance typical to the Fruitland Coal, i.e., as dewatering progresses, the gas rates will gradually increase to ±200 mcfd.

The Paul Revere No. 92 was spudded on 12-3-90 and completed in the Basin Fruitland Coal on 5-5-93 from perforations 1244' to 1271' with an initial pumping potential of 27 mcfd plus 154 BWPD. This well is currently shut in and should also exhibit production performance typical to the Fruitland Coal upon connection to our proposed gas gathering facilities, i.e. gas rates gradually increase to ±200 mcfd as dewatering progresses.

The Paul Revere No. 93 has not been drilled, but has been permitted and drilling is anticipated prior to 2-20-01. This well will be completed in the Basin Fruitland Coal and production is anticipated to be similar to the 90 and 92 wells, i.e. initially average 30 to 50 mcfd which will gradually increase to ±200 mcfd as dewatering progresses. Water production should initially average 75 to 150 BWPD.

All fluid production will be separated from the gas, and will be stored, sold or disposed of at each well site. Since all production to be commingled comes from the Basin Fruitland Coal, we do not anticipate any liquid hydrocarbon production to occur. Only natural gas will be surface commingled. Each well will be equipped with continuous recording conventional gas metering equipment, such as a dry flow meter, and the volumes recorded at each well will be used to determine allocation factors for allocating the volumes recorded at the CDP sales meter to the individual wells. Each allocation meter will be installed and maintained by DPC and the charts from each meter will be integrated monthly by a commercial chart service. The proposed allocation procedures are presented on Attachment No. 5.

Gas production from all three wells is believed to be compatible and mixing should not create any operational problems. Attachment No. 6 presents a copy of a gas analysis believed to be representative for the Basin Fruitland Coal in this area.

We are sending copies of this application to all interest owners. DPC holds 100% of the working interest and all royalty is federal. Attachment No. 7 presents a copy of the sundry transmitting this application to the BLM and Attachment No. 8 presents a copy of the letter sent to the two overriding royalty interest owners.

In summary, we are proposing to surface commingle natural gas production from three Basin Fruitland Coal wells, two of which are completed and one to be drilled in the very near future. The proposed CDP sales meter is on the lease and will be a new meter installation, operated and maintained by El Paso Field Services Co. The proposed surface commingling will allow us to use a central compressor at the CDP for all three.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

**Engineering Manager** 

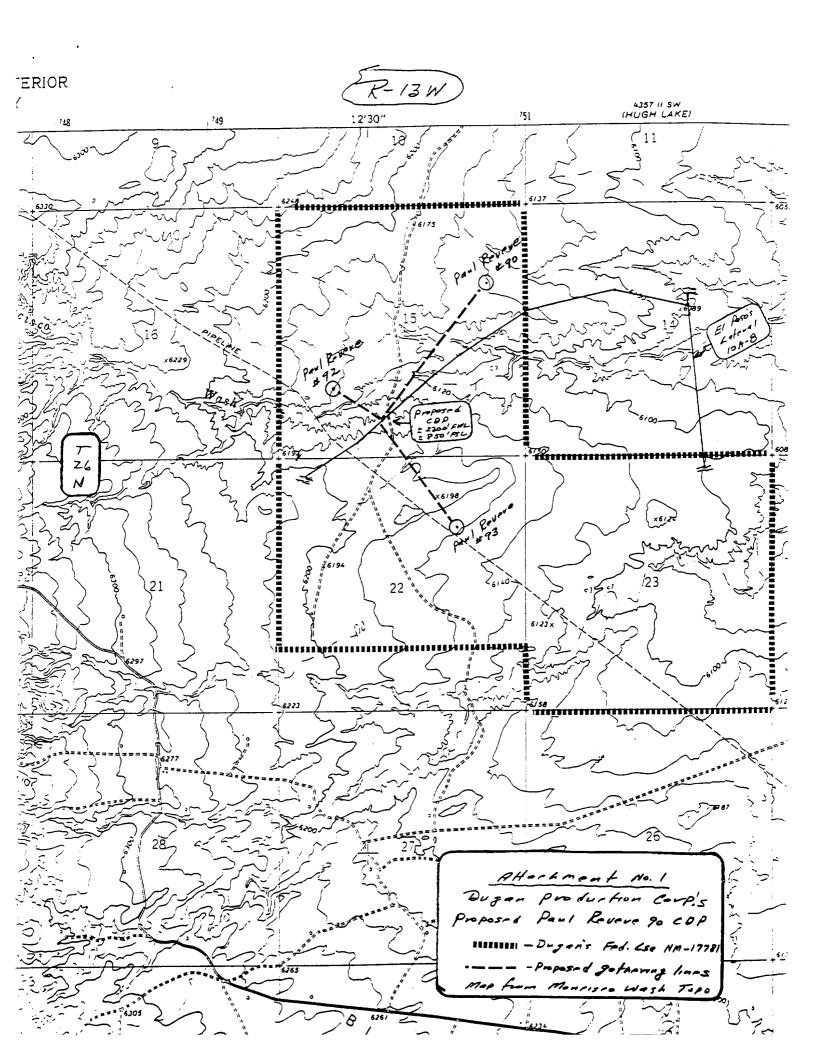
John O Rose\_

JDR/tmf

cc: NMOCD - Aztec

BLM - Farmington Field Office

ORRI owners



ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
PROPOSED PAUL REVERE 90 CDP (N-15-26N-13W)
SAN JUAN COUNTY, NEW MEXICO

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Spacing	Cuit		Note (1) Note (4) Note (4) E/2-320A	Note (2) Note (4) Note (4) W/2-320A	Note (3) Note (4) Note (4) N/2-320A
Current Prod.	MCFD BWPD		Note (4)	Note (4)	Note (4)
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	Š		Note	Note	Note
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Com	۵		Note	Note	Note
	Pool		Basin Fruitland Coal	Basin Fruitland Coal	Basin Fruitland Coal
	Lease Type CA Number		N/A	N/A	N/A
	Lease Type		Federal	Federal	Federal
Well Location	Lease No.		NM-17781	NM-17781	NM-17781
Well	-Rng		13W	13W	13W
	Sec-Twn		15-26N-	15-26N-	22-26N-
	Unit		I	_	ပ
	API Number   Unit   Sec-Twn-Rng   Lease No.	ILS PROPOSED FOR COP	30-045-29842	30-045-28290	30-045-28341
	Well Name /	<b>VELLS PROPO</b> S	<sup>5</sup> aul Revere #90 30-045-29842 H   15-26N-13W   NM-17781	<sup>2</sup> aul Revere #92 30-045-28290 L 15-26N-13W NM-17781	<sup>5</sup> aul Revere #93   30-045-28341   G   22-26N-13W   NM-17781

# Votes:

VA - Not needed

- Note (1) The Paul Revere No. 90 was completed 9-14-00. Pump equipment was installed 9-21-00 and a rate of 40 mcfd + 75 BWPD was tested on 10-5-00. This well is currently shut in and waiting on the installation of gas gathering facilities.
- Note (2) The Paul Revere No. 92 was completed on 5-5-93 with an initial pumping potential of 15 mcfd + 25 BWPD. This well is currently shut in and waiting on the installation of gas gathering facilities.
- lote (3) The Paul Revere No. 93 has not been drilled. An APD has been approved and drilling is planned prior to 2-20-01. Once completed, it will be connected to Dugan's gas gathering facilities.
- hopefully will increase to ±200 mcfd as dewatering of the Fruitland Coal progresses. Initial water production is anticipated to be 75 to 150 BWPD. Jote (4) - Upon connection to Dugan's proposed gas gathering facilities and Paul Revere 90 CDP, an initial rate of 30 to 50 mcfd is anticipated which

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Bruzos Rd., Aztec, NM 87410
District IV

PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico Energy, Minerals & Natural Resources Department

No.3 Pg10+3

Atachment

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

#### OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

AMENDED REPORT

		WE	ELL LO	CATIO	N AND AC	REAGE DEDI	CATION PL	LAT		•
API Number 1 Pool Code 3 Pool Name -										
30 045	28339			71629			Basin Fru	itland	Coal	
<sup>4</sup> Property	Code				5 Propert	y Name	<del></del>			Well Number
003819	<u> </u>		Paul F	Revere						90
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UL or lot so.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/Wes	t line	County
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### OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Alterhoment No.3 Pgzof3

DISTRICT I P.O. Box 1980, Hobbs, NM 88240 DISTRICT II P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aziec, NM 87410

#### WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator						LOUSE				Mett Vor
- <b>F</b>	Dugan	Pro	duction (	Corporation		Paul	Revere			92
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District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV

2040 South Pacheco, Santa Fe, NM 87505

#### State of New Mexico Energy, Minerals & Natural Resources Department

PHarhment No.3 Pgs.f3

Form C-102 Revised October 18, 1994 Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

#### OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

17	API Numb	er			<sup>1</sup> Pool	Code				<sup>1</sup> Pool Na	me		
30	045 283	41			716	529 _ ]			В	asin Fruitla	nd Coal	<del>,</del>	
* Property (	Code					<sup>5</sup> Pr	operty	Name				• 1	Well Number
00381	9					Pa	ul Re	vere					93
OGRID	No.					•	erator					ŀ	* Elevation
00651	5	<u> </u>				Dugan P	rodu	ction Corp.				6	162' (est)
						10 Surf	face	Location					
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#### ATTACHMENT NO. 4

Well: Pool: Well Location: Spacing Unit:	Paul Revere No. 90 Basin Fruitland Coal H-15-26N-13W E/2-320A	Paul Revere No. 92 Basin Fruitland Coal L-15-26N-13W W/2-320A	Paul Revere No. 93 Basin Fruitland Coal G-22-26N-13W N/2-320A

INTEREST OWNER (all three wells)	INTE	REST%
	Gross	Net
Working Interest Owners  Dugan Production Corp.	100.0000	80.0000
Royalty Interest Owners USA - Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
Overriding Royalty Interest Owners William Lansdale P. O. Box 27 Seal Beach, CA 90740	-0-	5.0000
Questar Exploration & Production Co. P. O. Box 45601 Salt Lake City, UT 84145-0601	-0-	2.5000
TOTAL	100.0000	100.0000

Attachment No. 5
Proposed Allocation Procedures
Dugan Production Corp.'s
Paul Revere 90 CDP
SE SW 15, T-26N, R-13W
San Juan County, New Mexico

#### Base Data for Gas Production, BTU & Revenue Allocations:

W=Volume (MCF) from Well Allocation Meter X=Volume (MCF) from CDP Sales Meter Y=BTU's from CDP Sales Meter Z=Gas Revenue (\$) from CDP Sales Meter

- 1. Allocated Individual Well Production = A+B+C+D+E
  - A = Allocated Sales Volume, MCF
    - $= (W/SUM W) \times X$
  - B = Fuel used on lease, MCF. Determined from equipment specifications and operating conditions.
  - C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.
  - D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefitting from the equipment using allocation factors determined by W / Sum W for the wells involved.
  - E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by W / Sum W.
- Allocated Individual Well BTU's = ((W x Individual well BTU) / Sum (W x individual well BTU)) x Y.
   Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).
- 3. <u>Allocated Individual Well Gas Revenues</u> = (Allocated Individual wells BTU's / Sum Allocated individual well BTU's) x Z



2030 AFTON PLACE FARMINGTON, N.M. 87401 (505) 325-6622

ANALYSIS NO. CUST. NO.

DUG90672 23000- 11120

P\$ 10F1

WELL/LEASE INFORMATION

CUSTOMER NAME DUGAN PRODUCTION CORP.

WELL NAME

PATRIOT 91 —

COUNTY/STATE SAN JUAN

SAN JUAN 27-26N-13W (mmt H)

LOCATION FIELD

FORMATION 5 CUST.STN.NO.

}- Bosin Fruitland Gal

SOURCE PRESSURE

SAMPLE TEMP WELL FLOWING

DATE SAMPLED SAMPLED BY

FOREMAN/ENGR.

METER RUN 8 PSIG DEG.F

Υ

8/30/99

BILLIE WRIGHT R. TOM BLAIR

REMARKS

LEASE # 078091

#### **ANALYSIS**

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.878	0.0000	0.00	0.0085
CO2	1.438	0.0000	0.00	0.0219
METHANE	96.106	0.0000	972.88	0.5324
ETHANE	1.578	0.4221	27.99	0.0164
PROPANE	0.000	0.0000	0.00	0.0000
I-BUTANE	0.000	0.0000	0.00	0.0000
N-BUTANE	0.000	0.0000	0.00	0.0000
I-PENTANE	0.000	0.0000	0.00	0.0000
N-PENTANE	0.000	0.0000	0.00	0.0000
HEXANE PLUS	0.000	0.0000	0.00	0.0000
TOTAL	100.000	0.4221	1,000.87	0.5791

<sup>\*@ 14.730</sup> PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

<sup>\*\* @ 14.730</sup> PSIA & 60 DEG, F.

COMPRESSIBLITY FACTOR	(1/Z)	1.0021
BTU/CU.FT (DRY) CORRECTED FOR	(1/Z)	1,003.0
BTU/CU.FT (WET) CORRECTED FOR		985.5
REAL SPECÌFIC GRAVITY	` ,	0.5804

#### ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650	997.5	CVI NIDED #	V072	
DRY BTU @ 14.696	1,000.7	CYLINDER # CYLINDER PRESSURE	K073	PSIG
DRY BTU @ 14.730	1,003.0	DATE RUN	9/1/99	. 0.0
DRY BTU @ 15.025	1,023.1	ANALYSIS RUN BY	ANDRE	EW ZEC

Fruitland Coal in Dupon's Paul Rouve wells No 90, 92 + 93.

Since the 90+92 have Not been Placed on production the 98 has not been dulled, representative analyses

#### 5 BLM 1 File

or representations as to any matter within its jurisdiction.

Fórm 3160-5 (June 1990)

# UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

RHachment No.7 Pg 1.f1

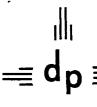
FORM APPROVED
Budget Bureau No. 1004-0135

Expires: March 31.1993

### SUNDRY NOTICES AND REPORTS ON WELLS | 5. Lease Designation and Serial No. | NM-17781

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir. 6. If Indian, Aliotted or Tribe Name Use "APPLICATION FOR PERMIT -" for such proposals SUBMIT IN TRIPLICATE 1. Type of Well 7. If Unit or CA, Agreement Designation O Gas Wel Well Other 2. Name of Operator 8. Well Name and No. Dugan Production Corp. Paul Revere 90, 92 & 93 3. Address and Telephone No. 9. API Well No. P.O. Box 420, Farmington, NM 87499 Multiple - see below (505) 325 - 1821 Location of Well (Footage, Sec., T., R., M., or Survey Description) 10. Field and Pool, or Exploratory Area Multiple - see below Basin Fruitland Coal 11. County or Parish, State San Juan, NM 12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION XNotice of Intent Abandonment Change of Plans Recompletion **New Construction** Subsequent Report Plugging Back Non-Routine Fracturing Casing Repair Water Shut-Off Final Abandonment Notice П Altering Casing Conversion to Injection XOther On-lease surface Dispose Water commingling (Note: Report results of multiple completion on Well n or Recompletion Report and Log form.) 13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\* In the attached application dated 11/30/00, Dugan Production Corp. has proposed to surface commingle natural gas production from Dugan's Paul Revere wells No. 90,92 & 93 and deliver the commingled gas stream to an on-lease central delivery (CDP) sales meter to be installed and operated by El Paso Field Services Co. The 90 & 92 wells are currently completed in the Basin Fruitland Coal gas pool and the 93 well has been permitted to the Basin Fruitland Coal. We anticipate drilling this well by 2/20/01. Only one federal lease (NM-17781) is involved and comprises the spacing units for all three wells. It is our understanding BLM approval is not required for this proposed CDP and that this sundry is for informational purposes. Pertinent data for the wells and CDP sales meter follows: Well/Meter API No. Location Lease No. Paul Revere No. 90 30-045-29842 SENE-15-26N-13W NM-17781 Paul Revere No. 92 30-045-28290 NWSW-15-26N-13W NM-17781 Paul Revere No. 93 30-045-28341 SWNE-22-26N-13W NM-17781 **CDP Sales Meter** SESW-15-26N-13W none NM-17781 14. I hereby certify that the foregoing is true and correct Signed R Engineering Manager 11/30/2000 Date (This space for Federal or State office use) Approved by Title Date Conditions of approval, if any:

Tible 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictious or fraudulent statements



## dugan production corp.



November 30, 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. William Lansdale P. O. Box 27 Seal Beach, CA 90740

Questar Exploration & Production Co. P. O. Box 45601 Salt Lake City, UT 84145-0601

Re:

Dugan Production Corp.'s

Paul Revere No. 90 (H-15-26N-13W) Paul Revere No. 92 (L-15-26N-13W) Paul Revere No. 93 (G-22-26N-13W)

Dear Overriding Royalty Interest Owner,

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division to surface commingle natural gas produced from the captioned wells in which you have an overriding royalty interest ownership. The Paul Revere 90 and 92 wells have been drilled but have not been placed on production. The Paul Revere No. 93 has not been drilled, but should be drilled by early next year. The proposed surface commingling will allow us to place all three wells on production and will allow all three wells to share the cost of operating a central compressor.

This proposal should not affect your interest in these wells and should allow your revenues to increase since all wells will share a central compressor which hopefully will require less lease fuel.

Should you have any questions, need additional information or have any concern as to our proposal, please let me know. Should you have an objection, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 2040 South Pacheco Street in Santa Fe, New Mexico 87505. Any objection should be filed within 20 days of the date of this letter, and we would appreciate receiving a copy.

Sincerely,

John B. Rose

John D. Roe

Engineering Manager

JDR/tmf